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International Economic Scoreboard™

Inside:

- **Global Business Cycle Vegetating**
- **Germany: No Recession Imminent**
- **Japanese Indexes Still Ugly**
- **Sluggish U.S. Recovery Should Improve**

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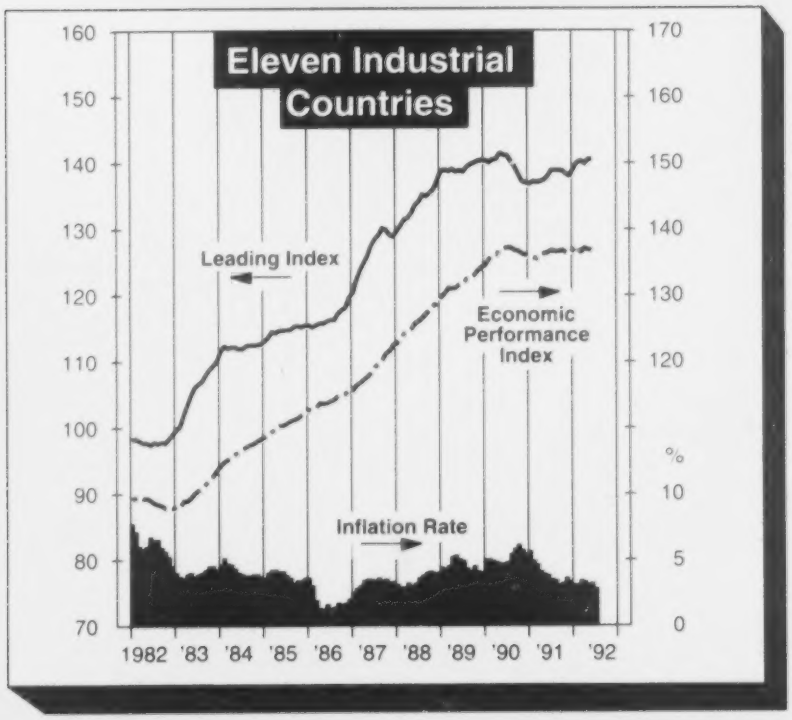
World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates * 6 mos. ago	3 mos. ago	Latest month	Leading Business Cycle Indexes Growth Rates * 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
Eleven countries	3	0	0	0	0	3	2	Recovery stalled, leaders improving	June
Ten countries (U.S. excl.)	3	0	0	1	-3	0	-1	Expansion stalled, leaders weak	June
North America (2)	3	-1	0	0	5	7	7	Recovery underway	June
Europe (4)	2	0	0	1	-1	2	2	Expansion stalled, leaders improving	June
Pacific Region (5)	4	2	0	1	-7	-4	-6	Expansion stalled, leaders weak	June
United States	3	-1	0	0	7	7	7	Slow recovery underway	July
Canada	3	0	0	0	0	5	6	Recovery stalled, leaders improving	June
West Germany	2	0	1	-1	-1	2	4	Expansion stopped, leaders improving	June
France	2	3	2	1	1	3	0	Expansion slowing, leaders weak	June/July
United Kingdom	2	-3	-3	-1	0	0	0	Recession continuing, leaders weak	June
Italy	2	2	1	3	-2	0	-2	Expansion resuming, leaders weak	Apr./June
Japan	4	2	-1	1	-9	-6	-9	Expansion stalled, leaders weak	June
Korea, R.O.K.	7	9	5	6	5	3	-4	Expansion slowing, leaders weak	July
Australia	3	2	2	-2	3	4	6	Recession continuing, leaders improving	July
New Zealand	2	1	1	4	6	8	5	Recovery underway	June
Taiwan, R.O.C.	8	8	6	7	8	6	5	Expansion continuing	July

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Quiescent Cycle

The major news story in the world's financial markets these days is the collapse of the European exchange-rate system. What this event portends for the global business cycle is a question we are happy to leave to the speculators and pundits. We venture just two observations: First, the main lesson is an old one, namely, that fixed exchange rates don't stay fixed. Second, despite the enormous uncertainty it generates, the whole event probably has a good bit less significance for economic activity than almost every analysis of it will try to tell you.

As of the latest reports, nothing in the 11-country indexes suggests that dramatic changes are imminent in the global business cycle. The pattern of the past year—a flat performance index and a slowly rising leading index—is still with us.

Indeed, the performance indexes are pretty flat in almost every country. The exceptions are mainly in the Pacific region—Taiwan, Korea, and New Zealand. By contrast, the leading indexes are all over the lot country by country. Japan's leading index is still dramatically sour, and Korea's is somewhat discouraging. On the other hand, the prospect of a rising economy is suggested by upswings in the leaders for the United States, Canada, Australia, New Zealand, Taiwan and even Germany.

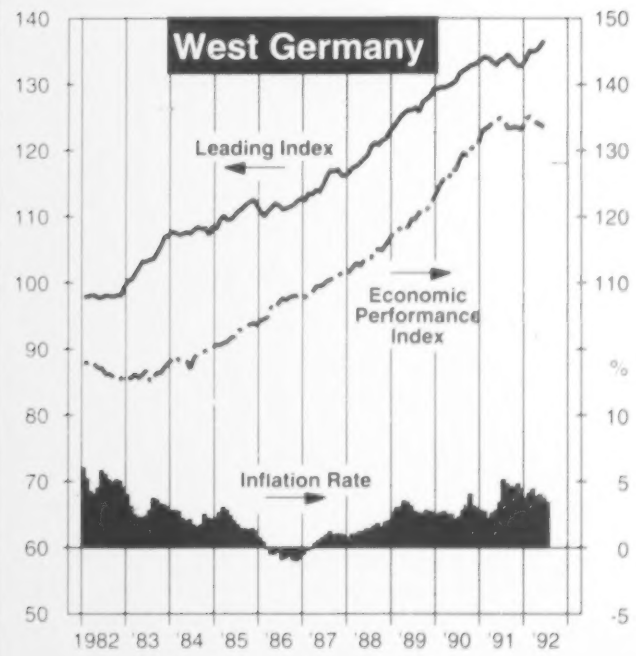
In summary, most industrial economies are quiescent at the moment. Looking ahead, we find that cyclical prospects vary widely around the world. In general it's a moderate outlook but, if we ignore the exchange-rate turmoil in Europe, the optimistic signals outnumber the pessimistic.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	3.1	3.3	2.8	Steady	July
Ten countries (U.S. excl.)	5.2	3.3	3.3	2.8	Falling	July
North America (2)	5.6	2.6	3.1	2.9	Steady	July
Europe (4)	6.6	4.2	4.0	3.7	Falling	July
Pacific Region (5)	3.4	2.5	2.7	1.5	Low and Falling	July
United States	5.5	2.9	3.1	2.9	Steady	Aug.
Canada	6.5	1.5	1.6	1.3	Low and Steady	July
West Germany	2.9	3.7	3.8	3.4	Falling	July
France	7.3	3.1	3.0	2.8	Steady	July
United Kingdom	7.3	4.3	4.0	3.4	Falling	July
Italy	11.2	5.0	5.6	5.0	Steady	Aug.
Japan	2.5	2.2	2.5	1.2	Low and Falling	July
Korea, R.O.K.	8.1	6.2	6.3	5.6	Falling	Aug.
Australia	8.4	2.0	1.9	0.6	Low and Falling	May
New Zealand	11.8	0.2	1.1	1.3	Low but Rising	May
Taiwan, R.O.C.	4.4	5.0	7.4	4.4	Falling	July

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

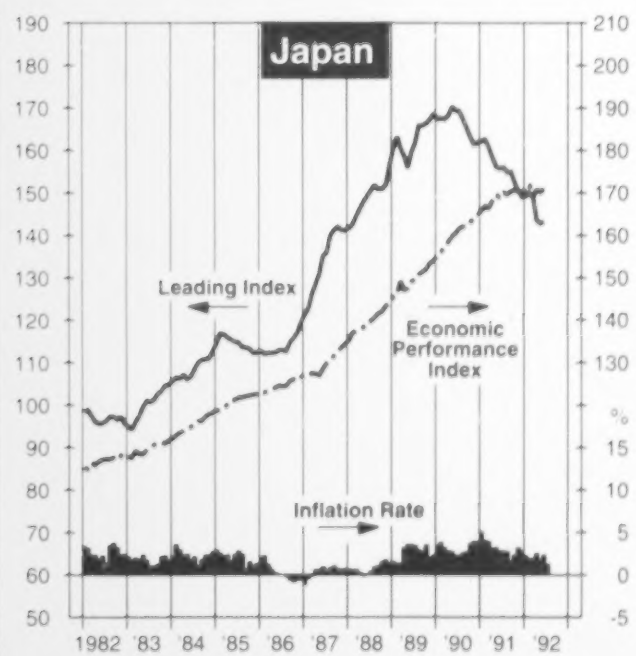
Countries



Prosperity Still Prevails

Rightly or wrongly, most of the blame for the collapse of the European exchange-rate system has fallen on Germany's high interest rates, which in turn are repeatedly cited as the main reason for a German recession, either now or soon. Well maybe so, since high interest rates often do precede a business cycle downturn. But sometimes there's a long lag between the high rates and the cyclical downturn, and the latest German data show no recession in place and none imminent. If a recession is coming, it's still over the horizon, because the German indexes are giving no strong signal either way. In recent months the performance index is basically flat, while the leading index has been climbing slightly. Thus the economy remains at a high level.

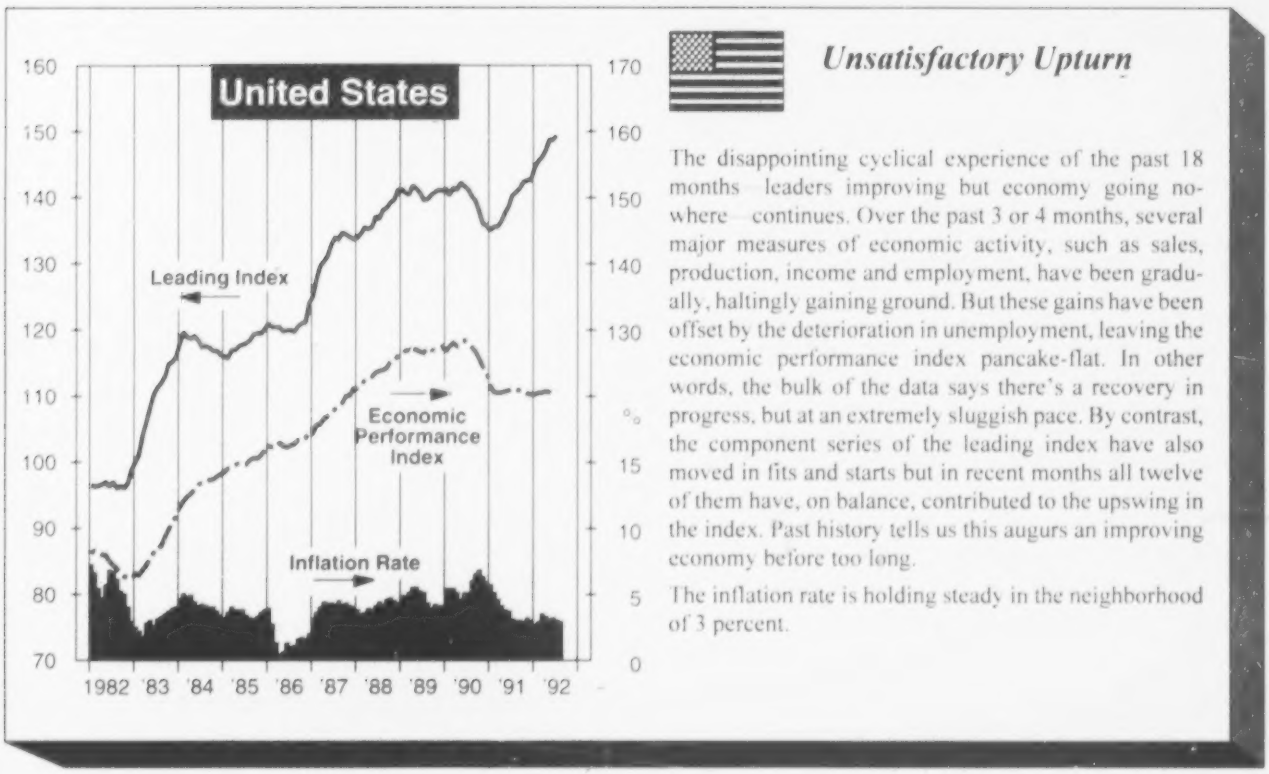
The German inflation rate is slowing gradually. At 3.4 percent, however, inflation is still above a level the country would regard with comfort.



Still An Ugly Cycle

The Japanese business cycle indexes continue to look ugly. To date the leading index remains at the bottom of the abyss with no statistical indication of recovery yet in sight. The economic performance index has been vacillating from month to month around a flat trend. The one encouraging statistic is the inflation rate, which dropped to 1.2 percent in July.

The prevailing mood is pessimistic, on balance. The Bank of Japan's latest survey of business sentiment showed the lowest level of confidence among executives in 15 years. On August 28, in response to the weakness in the economy, the government announced a very large—$87 billion—fiscal stimulus program, mostly public investment. Subsequently, stock prices (one component of the leading index) rebounded strongly, which some analysts are interpreting as the first straw in the wind of cyclical recovery.



Unsatisfactory Upturn

The disappointing cyclical experience of the past 18 months—leaders improving but economy going nowhere—continues. Over the past 3 or 4 months, several major measures of economic activity, such as sales, production, income and employment, have been gradually, haltingly gaining ground. But these gains have been offset by the deterioration in unemployment, leaving the economic performance index pancake-flat. In other words, the bulk of the data says there's a recovery in progress, but at an extremely sluggish pace. By contrast, the component series of the leading index have also moved in fits and starts but in recent months all twelve of them have, on balance, contributed to the upswing in the index. Past history tells us this augurs an improving economy before too long.

The inflation rate is holding steady in the neighborhood of 3 percent.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too—typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1991-92

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes 1980=100										Growth Rates, Percent									
		Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead
Jan	91	136	137	145	138	122	133	134	125	166	162	0	-4	4	-2	-7	-6	4	0	5	-4
Feb	91	136	137	146	138	121	134	134	125	167	162	-1	-3	3	-2	-8	-5	3	0	5	-3
Mar	91	135	137	145	138	121	134	134	126	166	161	-1	-3	2	-2	-7	-4	2	1	4	-4
Apr	91	136	137	146	138	121	135	134	126	168	159	-1	-2	3	-2	-6	-3	2	1	5	-6
May	91	136	137	146	137	121	136	134	126	169	158	0	-2	3	-2	-5	0	2	1	5	-7
June	91	136	138	146	137	122	137	135	127	169	157	0	0	2	-2	-4	1	2	2	4	-6
July	91	137	139	147	138	122	138	135	127	170	158	1	1	2	-1	-3	4	2	2	4	-5
Aug	91	136	139	147	137	122	139	134	127	170	157	0	1	2	-1	-2	4	1	2	4	-5
Sept	91	136	139	147	137	122	139	134	127	170	157	0	2	2	-1	-2	5	0	1	4	-4
Oct	91	137	139	147	136	122	140	135	126	170	156	1	1	2	-2	-1	6	1	0	3	-5
Nov	91	136	138	147	135	121	140	134	126	170	154	0	1	1	-3	-1	6	0	0	2	-6
Dec	91	136	138	147	135	121	140	134	126	170	152	0	0	0	-3	-1	5	0	-1	2	-7
Jan	92	137	139	148	136	121	142	135	127	172	153	1	2	2	-2	-1	7	1	1	3	-6
Feb	92	137	140	148	136	121	143	135	128	172	153	1	3	2	-1	0	7	1	2	3	-4
Mar	92	136	140	147	136	121	144	135	128	169	153	0	3	0	0	0	7	0	2	0	-4
Apr	92	137	140	148	135	121	145	135	128	171	149	1	2	1	-2	0	7	1	2	1	-8
May	92	137	140	147	135	121	146	135	128	170	148	0	2	0	-2	0	8	1	2	0	-8
June	92	137	140	148	135	121	146	135	128	171	148	0	2	1	-1	0	7	1	2	1	-6

INDEXES, ELEVEN COUNTRIES, 1991-92

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes 1980=100																					
		Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead
Apr	91	120	136	128	115	134	133	151	133	124	116	121	116	168	158	255	236	135	122	112	112	199	246
May	91	121	138	128	117	134	133	151	133	123	116	122	116	169	156	253	237	135	123	112	112	201	249
June	91	121	139	128	117	135	134	151	135	124	115	123	116	169	156	252	232	136	123	112	112	202	252
July	91	121	140	128	118	134	134	153	136	123	116	123	116	170	156	254	241	134	124	112	113	202	249
Aug	91	121	141	128	118	133	134	153	136	123	115	123	115	170	155	257	242	137	124	111	114	203	251
Sept	91	121	141	129	117	133	134	153	135	122	115	122	115	170	155	256	242	134	123	112	115	204	252
Oct	91	121	142	128	116	134	133	154	135	122	115	123	114	170	152	257	251	135	123	113	116	205	254
Nov	91	120	143	128	116	133	133	153	133	122	115	124	114	170	150	258	245	133	123	113	116	204	255
Dec	91	120	143	128	115	133	133	154	133	122	115	122	114	170	149	260	241	134	123	113	117	205	255
Jan	92	120	144	128	117	135	134	155	134	121	116	123	115	171	149	266	245	137	125	114	118	210	260
Feb	92	120	146	128	118	135	135	155	136	121	116	125	115	172	150	264	240	136	125	114	118	208	260
Mar	92	120	146	128	119	134	135	154	137	120	115	124	115	169	149	264	244	135	125	113	120	210	263
Apr	92	121	147	128	119	134	135	156	137	121	116	125	115	171	143	264	246	136	126	114	120	211	262
May	92	121	149	128	121	134	136	155	137	121	116		114	170	143	263	243	135	126	114	119	210	264
June	92	120	149	128	121	133	137	155	137	121	116		114	171	143	265	245	133	127	115	120	213	269
July	92	121	149						136							269	238	134	129			215	265
		Growth Rates, Percent																					
Apr	91	-6	-3	-5	-2	6	1	3	3	-5	-1	0	-1	6	-7	11	6	-12	-1	-1	-3	5	8
May	91	-5	0	-3	1	6	0	3	3	-5	0	2	-1	7	-9	9	6	-10	1	-1	-3	6	10
June	91	-4	1	-3	2	5	1	3	5	-4	-1	3	0	5	-8	6	1	-7	0	-2	-2	6	12
July	91	-3	4	-2	2	4	1	4	6	-4	1	2	0	6	-7	7	8	-9	1	-1	0	5	8
Aug	91	-2	5	-2	3	1	2	3	6	-4	-1	2	-1	4	-7	8	6	-4	1	-2	1	5	9
Sept	91	-2	5	0	2	1	1	3	4	-4	-1	0	-1	4	-6	6	6	-6	1	-1	3	6	8
Oct	91	-1	6	0	1	1	0	4	3	-4	0	2	-2	4	-7	6	13	-4	1	1	5	6	8
Nov	91	-1	6	0	0	0	-1	3	0	-4	0	2	-2	3	-9	5	6	-5	0	2	6	4	8
Dec	91	-1	6	0	0	0	-1	3	0	-3	0	-1	-2	2	-9	5	2	-4	0	1	5	4	6
Jan	92	-1	7	0	2	2	0	4	1	-3	1	1	0	3	-8	9	5	2	3	2	8	6	8
Feb	92	0	8	0	4	2	2	3	3	-3	2	3	0	3	-6	6	1	0	2	2	8	5	7
Mar	92	0	7	0	5	1	2	2	4	-3	0	2	0	-1	-6	5	3	0	3	1	8	5	8
Apr	92	0	7	0	4	0	2	3	3	-2	2	3	0	1	-11	5	3	2	4	3	8	6	6
May	92	0	8	0	6	0	3	2	3	-2	1		-2	0	-11	3	1	0	3	3	5	4	6
June	92	0	7	0	6	-1	4	1	2	-1	0		-2	1	-9	4	2	-3	4	4	5	6	9
July	92	0	7						0							6	-4	-2	6			7	5
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8